



1400 S. Andrews Avenue, Fort Lauderdale, FL 33316

EXHIBIT A

**SBA Pre-Qualification and
Non-Binding Term Sheet
PRIVILEGED AND CONFIDENTIAL**

March 21, 2024

Charles J. Stratmann
Starboard Yacht Group, LLC
850 NE 3rd St. Ste 208
Dania, FL 33004

Dear Charles J. Stratmann:

This proposal outlines the general terms under which Locality Bank (the "Bank") may be willing to extend credit to your business. This SBA Pre-Qualification Letter and Non-Binding Term Sheet is for discussion purposes only and is not a commitment to lend nor does it purport to summarize all of the terms, conditions, covenants, representations, warranties, and events of default that may be contained in documents required to originate the financing for an SBA 7(a) loan. The terms outlined herein are non-binding and would be further subject to a full financial review of a complete financial package, standard credit underwriting, and final approval by the Bank, and also subject to a 75% Guarantee Authorization from the SBA, and any other terms and conditions that the SBA 7(a) Program may require.

Borrower(s): Starboard Yacht Group, LLC

Loan Amount: \$990,000 Bank SBA 7(a) Term Loan

Loan Purpose: Provide financing for debt refinance, machinery & equipment, and working capital.

Please see Addendum 1 for an estimate of financing and loan closing soft costs.

Maturity: 120 months from the date of the Note.

Interest Rate: Wall Street Journal Prime Rate (currently 8.50) plus 2.75%, floating. The interest rate will be adjusted on a calendar quarterly basis during the life of the loan. Interest will be calculated on a 365-day basis. If the Loan were to close today, the interest rate would be 11.25% and monthly payments would be **\$ 13,744.07**.

Repayment: 1 month(s) interest only followed by principal and interest to be amortized over 119 months.

The payment amount will be adjusted no less frequently than annually to amortize principal over the remaining term of the Loan. The required monthly payment dates on the Loan will be determined by the Bank. The bank will apply each installment payment first to pay interest accrued to the day the Bank receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.



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Loan payments shall be set up on auto-debit.

Prepayment: **N/A**

SBA 7(a) loans with a term of less than 15 years are not subject to a prepayment penalty.

The SBA collects a subsidy recoupment fee on Loans with a maturity of 15 years or more if the prepayment is 25% or more of the outstanding principal balance in any calendar year within the first three years after first disbursement of the Loan. The Bank does not share in this fee. If the Borrower elects to prepay this Loan within:

- Year 1, a 5% prepayment will be charged
- Year 2, a 3% prepayment will be charged
- Year 3, a 1% prepayment will be charged

Notice Requirements (all SBA term loans): Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

- a) Give Lender written notice;
- b) Pay all accrued interest; and
- c) If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

SBA Fee: **\$ 0**

Collateral: 1st priority security interest in all of the Borrower's Inventory, Accounts, Furniture, Fixtures, Equipment, Instruments, Documents, Chattel Paper and Other Rights to Payment, General Intangibles, Government Payments and Programs and additions and accessions thereto, replacements, substitutions, whether now owned by the Borrower or hereafter acquired or created, wherever located at subject property all proceeds and products thereof, including insurance proceeds.

1st priority security interest in any equipment, vehicles, or other fixed assets of a value of \$5,000 or more with a lien able serial number, including insurance proceeds.

As assignment of term life insurance on the life of Charles J. Stratmann will be required in the amount of \$500,000 for a term of 10 years.



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Guarantors: The Bank will require guarantees for this Loan. These guarantees will apply to any individual or entity with 20% or more interest in the borrowing entity. These guarantees will be further documented by separate guaranty agreements that will be executed by the Guarantor(s). The guarantees unconditional and will be joint and several with Borrower and all other Guarantors, if any.

- Charles J. Stratmann
- Starboard Tech and Research, Inc.

Equity Injection: Minimum of 0% of total project costs
\$ 0 based on project cost as outlined in Addendum 1.

OTHER TERMS AND CONDITIONS:

Expiration: This proposal will expire 10 days from the date of this letter unless extended in writing.

Application: A formal application and an additional needs list of items necessary to support the complete underwriting of the loan request will be required.

Approvals: Approval by the Small Business Administration (SBA) of a loan guarantee of at least 75%. Approval by Locality Bank.

Tax Verification: Verification of Borrower and/or Seller IRS tax transcripts against the financial information provided submitted in support of the SBA loan.

Leased Location(s): Term: The remaining lease term, including any options to renew, must meet or exceed the proposed SBA loan term.

Landlord's Lien Waiver: If any Collateral is maintained in a leased premises, a Landlord's Lien Waiver and Consent Form will likely be required prior to closing, or upon the Bank's request at any time during the life of the Loan. The form must be on the Bank's form, and executed by the Bank and the Property Owner, and granting the Bank full access to view and/or obtain the Collateral pledged to this Loan that is housed in leased premises.

Appraisal(s): Commercial Appraisal: Receipt and satisfactory review of bank-ordered commercial real estate appraisal(s) required prior to loan closing.

Residential Appraisal: Receipt and satisfactory review of bank-ordered residential real estate appraisal(s) required prior to loan closing.

Business Valuation: Receipt and satisfactory review of bank-ordered equipment valuation required prior to loan closing.

Equipment Valuation: Receipt and satisfactory review of bank-ordered business valuation required prior to loan closing.



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Environmental(s): N/A

Purchase(s): N/A

Operating Account: Primary Operating Account and Treasury Management Services to be with Locality Bank for the life of the loan.

Debt Subordination: Subordination of loans from shareholders or persons/companies related to or owned by shareholders.

Insurances: General Liability Insurance: General Liability Insurance policy with a minimum per-occurrence limit of \$1,000,000, and Locality Bank named as Additional Insured.

Worker's Compensation Insurance: Worker's Compensation Insurance in an amount meeting state law requirement(s).

Commercial Property Insurance: Borrower to maintain hazard/windstorm, liability, and flood insurance (if applicable) acceptable to the Bank on any commercial real estate property that is collateral to the Note(s) on the subject property and provide proof of continued coverage on an annual basis. Amount of coverage should be the lesser of full replacement cost or the loan amount, and Locality Bank named as Mortgagee.

Business Personal Property Insurance: Borrower to maintain hazard/windstorm and flood insurance (if applicable) acceptable to the Bank on business personal property being pledged as collateral to the Note(s) and provide proof of continued coverage on an annual basis. Amount of coverage should be the lesser of full replacement cost or the loan amount, with Locality Bank named as Lender's Loss Payable.

Life Insurance: The Bank may opt to secure the Loan additionally by a first priority assignment of insurance upon the life of the Guarantor(s) in an amount not less than any deemed collateral shortage. The policy shall not be borrowed against or otherwise cashed in. All premiums shall be paid when due by the Borrower or Policy Owner. Any delay or lapse in payment of policy premiums that could jeopardize the value of the policy must be reported immediately to the Bank by the Borrower or Policy Owner.

Other Insurance: Additional insurance may be required based on the collateral, location of the collateral, or industry.

Pre-filing UCC: The Bank may, at its discretion, file one or more UCC-1's prior to the Closing Date to ensure the Bank's priority interest in the collateral required by the Bank or the SBA to secure the payment of the principal, interest, and all other amounts due with regard to the Loan made by the Bank to Borrower and/or any entity that Borrower may form in connection with the Loan. If this Loan does not close for any reason, the Bank will file a UCC-3 terminating its interests.



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Loan Documents: The closing of said loan will require the execution of all loan documents, including but not limited to a promissory note, loan agreement, guaranty agreement(s), security agreement(s), UCC Financing Statement(s), titled equipment, as applicable, and such other documents, and assurances as Lender may require. All such documents and assurances are herein referred to as the "Loan Documents."

Financial Reporting: Standard financial statement reporting and documentation as may be reasonably requested by the Bank concerning the Borrower, Guarantor(s) and any related entities will be required for as long as the Loan shall be outstanding. At a minimum, annual business tax returns, annual personal tax returns, and personal financial statements will be required.

Ownership: No material change in ownership of the Borrower or the Borrower's property may take place during the term of the Loan unless approved in writing by the Bank.

Additional Debt: Additional Indebtedness to be approved by Bank.

Closing: Provided the request is formally approved, the closing will be scheduled no later than twenty (20) business days after approval of the SBA guarantee and receipt of all third-party reports, insurance binders, collateral assignments, and all other terms required by Lender or the SBA.

Fees & Deposits: Fees: Borrower shall pay all costs and expenses incurred in connection with the Loan, which may include an SBA Guarantee Fee, Bank Packaging Fee of the lesser of 1% of the Amount Financed or \$2,500. These costs will be financed into the loan.

Expense Deposit: Borrower will pay an expense deposit at the time this proposal is accepted. The expense deposit will be refunded if the loan is not approved, or the applicant withdraws the application, less any third-party verification expenses incurred. If the client withdraws the application post bank communication of credit approval, the Bank will retain the expense deposit.

Select if Deposit will be refunded or Credited as Equity Injection at Closing.

Third-party reports and expenses: This deposit will be used for lender's expenses, including costs of the loan packaging, appraisal(s), business evaluations, environmental assessments, lender's attorney's fees, UCC searches, credit reports, surveys, etc.

Other Closing Costs: Remaining closing costs for fees, costs and out-of-pocket expenses relating to the closing including, without limitation, SBA Guarantee fees, transfer and recording fees, title insurance, lender's attorneys fee, environmental fees, and etc. will be paid at closing.



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Third-Party
Engagement:

Please indicate your third-party processing preference by checking one of the two options below:

Expedited Processing: By selecting this option, Borrower agrees to allow the lender to engage third-party reports prior to the loan approval decision. Third party-reports to be ordered include, but are not limited to, appraisal(s), business valuations, environmental assessments, surveys, etc. Borrower acknowledges that if the loan application is not approved, the deposit will be utilized to pay the third-party vendor costs incurred by the Bank. Any remaining unused balance of the Deposit will be returned to the Borrower.

Standard Processing: By selecting this option, Borrower understands that third-party report engagement will occur after the loan approval decision. Third party-reports to be ordered include, but are not limited to, appraisal(s), business valuations, environmental assessments, surveys, etc. Borrower will be required to pay an additional third-party report expense deposit at the time of loan commitment. Any remaining unused balance of the Deposit will be returned to the Borrower.

Please indicate your acceptance of these terms and conditions by signing below within **10 days** of the date of this letter. Upon signing, return the executed copy via email along with a wire for the expense deposit in the amount of \$10,000 for expedited processing or \$5,000 for standard processing to:

Wire Instructions: Locality Bank, 1400 S. Andrews Avenue, Fort Lauderdale, Florida 33316
Routing Number: 067017052
Account Number: 95400000212
Account Name: Locality Bank – Loan Operations
For further credit to: Starboard Yacht Group, LLC
Contact Number (if required): 954-799-0900

Should you have any questions, concerns, or if you require any clarification, please do not hesitate to contact me directly at 954-993-3168 or mburke@localitybank.com.

Yours very truly,

Michael Burke

Michael Burke
SVP SBA Lender



Acknowledged and accepted on _____.
Date _____.

BORROWER (S):

Starboard Yacht Group, LLC

By:

Charles J. Stratmann, President

GUARANTOR(S):

By:

Charles J. Stratmann

By:

Starboard Tech and Research, Inc.

**ADDENDUM 1****ESTIMATE OF FINANCING AND LOAN CLOSING SOFT COSTS**

Uses Purpose	Source of Funds				
	SBA Loan 1	SBA Loan 2	Equity Injection	Other Funds	Total Project
Machinery/Equipment Purchas	\$150,000	\$0	\$0	\$0	\$150,000
Refinance Debt	\$622,000	\$0	\$0	\$0	\$622,000
Working Capital	\$200,000	\$0	\$0	\$0	\$200,000
SBA Guaranty Fee	\$0	\$0	\$0	\$0	\$0
Closing Costs	\$18,000	\$0	\$0	\$0	\$18,000
Total	\$990,000	\$0	\$0	\$0	\$990,000
% of Total Project	100.00%	0.00%	0.00%	0.00%	100.00%

Working Capital Detail	
Advertising & Marketing	\$150,000
Staffing	\$50,000
Total Working Capital Budget:	\$200,000

Estimated Working Capital and Closing Costs - LOAN 1	
Packaging Fee	\$2,500
Credit Report (Personal)	\$25
Credit Report (Business)	\$120
Property Condition Report	\$0
Site Visit	\$150
Construction Fee (2% of Construction Contract)	\$0
Attorney Fees	\$5,000
Doc Stamps - Florida Only (Yes/No)	\$0
PRE Transfer Tax - New York only (Yes/No)	\$0
Mortgage/Transfer Tax	\$0
UCC, Judgment & Bankruptcy Searches (Individual)	\$1,350
Escrow, Title, Transfer & Recording Fees	\$5,000
Rolling Stock > \$10,000 (Transfer Only)	\$0
Survey	\$0
Miscellaneous/Working Capital	\$3,900
TOTAL WORKING CAPITAL AND CLOSING COSTS	\$18,045

*All fees and costs are estimates.